

**RENAISSANCE ZONE AUTHORITY  
MEETING MINUTES  
November 20, 2012**

The Bismarck Renaissance Zone Authority met on November 20, 2012 in the 2<sup>nd</sup> Floor Conference Room in the City-County Office Building at 221 North 5<sup>th</sup> Street.

Authority members present were Dave Blackstead, Jim Christianson, Chuck Huber, George Keiser, Kevin Magstadt, Brenda Smith and Curt Walth

Technical advisors Jeff Ubl and Bruce Whittey were present.

Staff members present were Brady Blaskowski, Carl Hokenstad, Brenda Johnson and Jason Tomanek.

Guests present included Dawn Kopp, Kate Herzog, Brian Peterson, Loran Galpin and John Petrik.

**CALL TO ORDER**

Chairman Blackstead called the meeting to order at 4:00 p.m.

**MINUTES**

The minutes of the September 18, 2012, September 21, 2012 and October 16, 2012 meetings were distributed with the agenda packet.

**MOTION:** A motion was made by Mr. Walth and seconded by Mr. Huber to approve the minutes of the September 18, 2012, September 21, 2012 and October 16, 2012 meetings as received. The motion passed unanimously with members Blackstead, Christianson, Huber, Keiser, Magstadt, Smith and Walth voting in favor.

**RENAISSANCE ZONE PROJECT APPLICATIONS**

**A. 510 East Main Avenue– Hump Back Sally’s, LLC – Lease**

Mr. Tomanek gave an overview of the lease project by Hump Back Sally’s, LLC. The applicant is proposing to lease 9,650 feet of space on three floors of the building for use as a dining, drinking and entertainment facility. The project will include a full build-out for a 4,000 square foot bar, restaurant and kitchen on the first floor; a 1,650 square foot craft cocktail lounge on the second floor; and a 4,000 square foot rooftop beer garden and dining area on the third floor. The applicant has indicated they intend to hire the equivalent of approximately 18 full-time employees at this location

Mr. Tomanek listed the following findings for the proposed Renaissance Zone project:

1. The proposed use is consistent with the City's Renaissance Zone Development Plan.
2. The lease will be for a new business not currently located in Bismarck that would be located within the Renaissance Zone.
3. The applicant would be occupying space in a building that has previously been classified as a Renaissance Zone project (Project 81-B). The area proposed for the lease has not previously been occupied by a different Renaissance Zone applicant or project as this is new construction.
4. The project completion date is projected for March 2013.

Mr. Tomanek said that based on the above findings, staff recommends approval of the designation of the lease of space in the building at 510 East Main Avenue by Hump Back Sally's LLC, as a Renaissance Zone project with an exemption from state tax on income derived from the business and investment location for five years beginning with the date of occupancy.

**MOTION:** Based on the findings included in the staff report, a motion was made by Mr. Christianson and seconded by Ms. Smith to recommend approval the designation of lease of the space in the building at 510 East Main Avenue by Hump Back Sally's, LLC as a Renaissance Zone project with an exemption from state tax on income derived from the business and investment location for five years beginning with the date of occupancy. The motion passed unanimously with members Blackstead, Christianson, Huber, Keiser, Magstadt, Smith and Walth voting in favor.

#### **B. 123 North 4<sup>th</sup> Street – Redland, LLC – Rehabilitation**

Mr. Tomanek gave an overview of the rehabilitation project by Redland, LLC. Mr. Tomanek stated that the applicant is proposing to rehabilitate the building at 123 North 4<sup>th</sup> Street. The exterior of the building will be retained and the windows will be replaced with maintenance free windows that retain the double-hung design throughout the second through fifth levels of the building. The exterior entryway at the northwest corner of the property will be removed and replaced with glass block. The existing east entryway along the north side of the building will be removed and filled in with windows. The central entryway along the north side of the building will remain and will be the primary ingress/egress point. The elevator will be refurbished with a new cab; and new power, water, plumbing and mechanical services will be provided; and asbestos will be removed throughout the building. The renovations are proposed to begin with the vault infill project, then proceed up from the first floor one level at a time. At this time, the applicant has provided an anticipated tenant mix of retail on the first and possibly second floor and office space on the third through fifth floors, with the potential for apartment units in-lieu of offices on the upper floors. Mr. Tomanek noted that the building was recently placed on the National Register of Historic Places. He continued by saying that he had spoken with an architectural historian from the North Dakota State Historical Society about the proposed exterior renovations. Mr. Tomanek stated that he was told the building would likely no longer qualify for the National Register after the proposed

modifications were made due to the significance of the alterations.

Mr. Tomanek listed the following findings for the proposed Renaissance Zone project:

1. The proposed use is consistent with the City's Renaissance Zone Development Plan.
2. The proposed exterior rehabilitation would be sufficient to eliminate any and all deteriorated conditions on the exterior of the building.
3. Using the 2012 assessed value of the building (\$96,300) and the proposed investment of \$1,400,000, the level of re-investment is approximately 1200 percent. The minimum level of investment for rehabilitation projects is 50 percent of the assessed building value made through capital improvements. The proposed investment would be equivalent to a per square foot cost of \$80.31.
4. The applicant anticipates that the staged rehabilitation of the building would require two to three years for completion.

Mr. Tomanek said that based on the above findings, staff recommends approval of the designation of the rehabilitation of the building at 123 North 4<sup>th</sup> Street by Redland, LLC as a Renaissance Zone project with a 100% property tax exemption and an exemption from state tax on income derived from the business and investment location for five years beginning with the date of occupancy.

Mr. Walth asked about the condition of the roof. Mr. Galpin responded that the roof inspection was completed by Twin City Roofing and there are a number of penetrations that will no longer exist once the rehabilitation project is complete. Mr. Galpin stated that the penetrations that would not be used for HVAC would be closed up and resealed as part of the project.

Ms. Smith asked about the condition of the exterior brick. Mr. Galpin responded that the brick is in excellent condition and, aside from some minor tuck pointing, no work would be done.

Mr. Christianson inquired about the south side of the building exterior. Mr. Galpin stated that the south side of the building will remain intact. The only improvements planned are window replacements and perhaps a sprinkler wash for fire suppression, if necessary.

Mr. Galpin continued by saying that on the east side of the building, the utility poles will be relocated further to the south. Mr. Galpin stated that he has spoken with adjacent property owners, LeRoy Walker and Brian Peterson, about relocating the power poles.

Mr. Whittey inquired about the exterior materials and first floor windows. Mr. Galpin responded that the first floor windows would be replaced with new storefront windows that will also provide insulation. Mr. Galpin continued by saying the window openings will not be modified. Mr. Galpin concluded with comments relating to the existing glass block along the bottom of the Cowan building. He stated the developer intends to keep the glass block and replace the broken blocks if a replacement can be found to match the existing material. Mr. Galpin concluded that it

would be more likely that the glass block would be replaced with a charcoal or dark colored tile material to match the similar character of the building.

Mr. Whittey noted that a proposed cost breakdown was not included with the application. Mr. Galpin noted that the information was provided with the previous application when he personally applied for Renaissance Zone designation of the building in 2011. Mr. Galpin asked that this information be supplemented with the current application by Redland, LLC, as the project has not changed, just the applicant proposing the project.

**MOTION:** A motion was made by Mr. Walth and seconded by Mr. Magstadt to recommend approval the designation of the rehabilitation of the building at 123 North 4<sup>th</sup> Street by Redland, LLC as a Renaissance Zone project with 100% property tax exemption and an exemption from state tax on income derived from the business and investment location for five years beginning with the date of occupancy. The motion passed unanimously with members Blackstead, Christianson, Huber, Keiser, Magstadt, Smith and Walth voting in favor.

## **CORE INCENTIVE PROGRAM APPLICATION**

### **A. 123 North 4<sup>th</sup> Street – Sidewalk Subsurface Infill**

Mr. Tomanek stated the applicant is requesting assistance from the CORE Sidewalk Subsurface Infill Grant to infill the existing 12-foot-high, 16-foot-wide and 140-foot-long vault/basement room that is the full length of the building. Proposed removals include the surface concrete (both the sidewalk and planters), steel bar joists and the concrete wall. The vault area would be backfilled and a new five-inch-thick concrete area would be reinstalled along with curb and gutter in the street section. The sidewalk would also be replaced to match the current sidewalk pattern of 3-foot squares.

Mr. Tomanek listed the following information for the proposed CORE Incentive Program project:

1. The CORE Incentive Program information relating to the Sidewalk Subsurface Infill grant states, “The intent of this program is to incorporate the subsurface infill project as part of an overall improvement project to the property owner’s building. Downtown standards for sidewalks will be incorporated into each project. Funds from the Tax Increment Fund (TIF) will be used for all work on the public right of way, including excavation, compaction, fill and new sidewalk. The property owner will be responsible for the internal wall and any work on the building structure. One thousand dollars per linear foot will serve as a guide for the cost of each project. Property owners seeking assistance under this program will seek three written bids from bonded and licensed contractors. Upon identifying the lowest bid, the property owner may apply to the Renaissance Zone A for approval of a project on their property. Once approved, the property owner may contract to have the work done. The City will remit payment to the contractor for the work completed on that part of the project. The property owner will pay for the remaining work.”

2. At this time, three written bids have not been provided by the applicant. Staff has consulted with the City Attorney regarding how to proceed. City Attorney Whitman suggested that a maximum dollar amount or cap on the total project cost be established. Staff recognizes this project is the largest subsurface vault known in the downtown area. It is difficult for staff to accurately estimate a cost of this project. The applicant's consultant has been working with various local contractors that could perform the tasks required to complete the job. There is a secondary vault along the 4<sup>th</sup> Street portion of the building; the applicant has requested assistance to infill this vault as well.

Mr. Tomanek listed the following findings for the proposed CORE Incentive Program project:

1. The building is located within the Downtown Tax Increment Financing District.
2. The primary subsurface vault under the public right-of-way extends approximately 14-feet beyond the north property line into the public right-of-way; the vault area matches the length of the building west to east at 140 feet. There is a smaller, secondary vault area along the 4<sup>th</sup> Street side of the building that would be infilled as well.
3. The owner would be responsible for any portion of the project outside of the public right-of-way.

Mr. Tomanek concluded by stating based on the above findings, staff recommends approval of the project with the following conditions:

1. Three written bids from licensed and bonded contractors eligible to work within the public right-of-way are provided by the applicant prior to forwarding the request to the Board of City Commissioners for review.
2. The City of Bismarck will reserve the right to determine the participation in the project based on the bid amounts provided by the contractors.

Mr. Galpin stated that the portion of the building's basement floor would be broken up and not left in place to allow for below-grade water infiltration. Mr. Galpin continued by requesting the Renaissance Zone Authority recommends this project to the Board of City Commissioners to allow the project to move forward without the three written bids. Mr. Galpin suggested the three bids would be delivered at a later date.

Mr. Whitman said that the policy states three written bids unless extraneous circumstances exist. Mr. Whitman said the matter would not be considered by the Board of City Commissioners unless the required bids are provided. Mr. Whitman concluded by saying the Renaissance Zone Authority could recommend approval of the project with a condition that the project not exceed a determined amount without being reconsidered by the Renaissance Zone Authority.

Mr. Christian asked if there is a cap or maximum grant amount tied to an infill project. Mr. Whitman responded by saying that there currently is not a cap and any infill-related

improvements outside the property wall are eligible. Mr. Whitman also stated that there may need to be additional negotiations with the applicant once the bids are received because there are portions of the building that would be inside the property boundary.

**MOTION:** A motion was made by Mr. Keiser and seconded by Mr. Christianson to continue the public hearing until such time as three written bids from licensed contractors have been provided by Mr. Galpin, with the understanding that a special meeting of the Renaissance Zone Authority would be convened if necessary. The motion passed unanimously with members Blackstead, Christianson, Huber, Keiser, Magstadt, Smith and Walth voting in favor.

Chair Blackstead excused himself from the meeting and turned the meeting over to Vice-Chair Walth.

### **Renaissance Zone Project Per-Square-Foot Investment Requirements for Building Addition Projects**

Discussion occurred relating to Renaissance Zone building addition projects. Mr. Whittey advised the Authority to base the investment requirements on the square feet of the building addition proposed. Mr. Whittey added that the property tax exemption should also be pro-rated based on the total square feet of the building.

**MOTION:** A motion was made by Mr. Keiser and seconded by Ms. Smith to require building addition projects classified as Renaissance Zone rehabilitation projects must invest \$110 per square foot based on the total square footage of the building addition with the understanding that the property tax exemption could be pro-rated on the total square footage of the building with the building addition and a recommendation would be made to the North Dakota State Tax Department to allow the same percentage of exemptions for the 5-year business income tax exemption. The motion passed unanimously with members Blackstead, Christianson, Huber, Keiser, Magstadt, Smith and Walth voting in favor.

### **EXTERIOR BUILDING IMPROVEMENTS**

Mr. Tomanek stated that he and Mr. Ubl have developed a tentative list of items applicants will need to address when considering and applying for designation as a Renaissance Zone project. The list includes:

- Condition of exterior brick and other materials
- Condition of roof
- Condition of windows
- Type of windows (single-pane, reflective etc.)
- List original elements from the original/historic design (if historic property)
- List modified elements from the original/historic design (if historic property)
- Have any of the original windows been removed or covered up

- Is EIFS used on the building? If so, why – design feature or used to seal building exterior from leaks etc.
- Painted brick?
- Signs of blight
- Doors – type, condition etc.
- Rooftop screening of mechanical equipment
- Landscaping

Mr. Tomanek concluded by stating that he would email the list to Authority members and the list could be amended as needed in the future.

**MOTION:** A motion was made by Mr. Christianson and seconded by Ms. Smith to accept the list with the understanding that the list will be distributed to all potential Renaissance Zone applicants considering exterior improvements. The motion passed unanimously with members Blackstead, Christianson, Huber, Keiser, Magstadt, Smith and Walth voting in favor.

## **ADJOURNMENT**

There being no further business, Vice Chair Walth adjourned the meeting of the Bismarck Renaissance Zone Authority at 5:15 p.m.

Respectfully Submitted,

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Jason Tomanek  
Recording Secretary

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David Blackstead  
Chair